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SUBJECT: VIETNAM: ELECTRICITY SHORTAGES POSSIBLE

1. (SBU) SUMMARY: Vietnam's power industry is struggling to meet electricity demand due to a prolonged drought and delays in the construction of new power plants. Despite increased electricity imports from China, Vietnam faces a serious energy crunch in the coming two years, according to an official at Electricity of Vietnam. With no new large-scale power plants starting operations until 2007, electricity shortages are a real possibility in the near future. End Summary.

Electricity of Vietnam

2. (U) Electricity of Vietnam (EVN) dominates Vietnam's power sector. EVN is a state-owned enterprise with 17 power plants, four transmission companies and seven power distribution companies. EVN's total installed capacity at the end of 2004 was 11,500 Megawatts (MW). Total nationwide electrical power generation reached 47 billion Kilowatt Hours (KWH) in 2004, of which EVN generated 40 billion KWH. EVN buys the remaining power, approximately 7 billion KWH, from independent power producers (IPPs) to satisfy the country's needs for electricity.

3. (U) Historically, EVN has been able to satisfy the power demands of Vietnam's development and has managed to electrify about 87 percent of rural households. Driven by economic expansion and industrialization, Vietnam's power generation and consumption have increased an average of 15 percent annually in the last ten years. In some provinces, particularly those with industrial zones, the demand for electricity has increased over 20 percent annually.

Shortage of Power in 2005 and Beyond

4. (U) A prolonged drought has severely curtailed normal hydroelectric power generation in Vietnam in recent months. Deputy Director of EVN's Office of International Cooperation Ms. Phan Thu Thuy Tien confirmed to Econoff that three principal reservoirs throughout the country (Hoa Binh, Thac Ba, and Tri An) all have dangerously low water levels and that the water volume in these reservoirs is down 20 to 40 percent compared to previous years. Hydropower plants have previously provided up to 40 percent of the country's total output, but power from these hydropower plants has accounted for just 24 percent of total output this year. Precipitating the water level decline is the government's mandate to release water for downstream farming use, a high government priority. EVN has estimated that Vietnam will have a 200-300 MW shortage this year alone. Tien confirmed that if the current drought continues, blackouts throughout Vietnam are possible in the near future. She added that a contributing factor is the delay in finishing the Danang-Ha Tinh 500 KV transmission line and both the Ca Mau Power (720 MW) and O Mon thermal (2400 MW) power plants. When asked about the severity of the country's energy problems, Tien admitted very frankly that it was "serious" and likely to continue through 2007.

5. (U) EVN has been turning to IPPs and other sources such as coal, oil and gas to cope with the current electricity demand, but what Vietnam needs most urgently is additional power plants, Tien noted. While China is supplying electricity to Vietnam, EVN estimates that China will eventually provide only 200 MW of power for Northern Vietnam. At present, 40 MW of power is being transmitted to Northern Lao Cai Province using a 110 Kilovolt (KV) transmission line. Another contract to buy 40-60 MW for Ha Giang province has been signed, but is not in operation pending the completion of a 110 KV transmission line, Tien remarked.

MARINE